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Also Admitted in SC

September 22, 2006

VIA UPS OVERNIGHT

Mr. Charles Terreni
Chief Clerk Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RECEIVED
2006 SEP 25 AM 9:48
SC PUBLIC SERVICE
COMMISSION

Re: Petition in Docket Number To Be Assigned

Dear Mr. Terreni:

Enclosed please find an original and 26 copies of the *Petition of Piedmont Natural Gas Company, Inc. for Authority to Place Certain Asset Retirement Obligations Costs in a Deferred Account*. Please accept the original and 25 copies for filing and return the additional "filed" stamped copy to me in the enclosed self-addressed stamped envelope.

Thank you for your assistance with this matter. If you have any questions about this filing you may reach me at the number shown above.

Sincerely,



Scott M. Tyler

Enclosures

c: ORS (5 Copies via UPS Overnight)

Research Triangle, NC
Charleston, SC

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2006-296-G

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SC PUBLIC SERVICE
COMMISSION

In the Matter of:

Petition of Piedmont Natural Gas
Company, Inc. for Authority to
Place Certain Asset Retirement
Obligations Costs in a Deferred
Account

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PETITION

Piedmont Natural Gas Company, Inc. ("Piedmont" or the "Company"), through counsel and pursuant to Rules 103-830 and 103-836 of the South Carolina Public Service Commission ("Commission") and South Carolina Code Annotated §§ 58-5-210 and 58-5-220, respectfully requests Commission authorization to place certain Asset Retirement Obligation ("ARO") costs in deferred accounts so that the current regulatory treatment for these costs will not be altered due to Piedmont's adoption of the Financial Accounting Standard Board's ("FASB") Statement No. 143. In support of this request, Piedmont respectfully shows unto the Commission as follows:

1. It is respectfully requested that any notices or other communications with respect to this Petition be sent to:

Jane Lewis-Raymond
Vice President & General Counsel
Piedmont Natural Gas Company, Inc.
Post Office Box 33068
Charlotte, NC 28233
Telephone: 704-731-4261

And

Scott M. Tyler
James H. Jeffries IV
Moore & Van Allen PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202-4003
Telephone: 704-331-1079

2. Piedmont is incorporated under the laws of the state of North Carolina and is duly authorized by its Articles of Incorporation to engage in the business of transporting, distributing and selling natural gas. It is duly domesticated and is engaged in conducting such business in the states of South Carolina, North Carolina and Tennessee. Piedmont is a public utility under the laws of this State, and its public utility operations in South Carolina are subject to the jurisdiction of this Commission.

3. In June 2001, the FASB issued Statement 143, *Accounting for Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2002. Statement 143 sets forth the way companies recognize and measure legally enforceable retirement obligations that result from the acquisition, construction and normal operation of tangible long-lived assets.

4. Due to uncertainty regarding the timing and method of settlement for certain retirement obligations, many companies, including Piedmont, concluded that no asset retirement obligation need be recorded for their assets at the time Statement 143 was issued. Subsequently, the FASB issued FASB Interpretation No. 47 ("FIN 47"), to clarify the term "conditional asset retirement obligation." The FASB recognized that "diverse accounting practices have developed with respect to the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and (or) method of settlement are conditional on a future event."

5. FIN 47 states that upon initial application, an entity shall recognize: (a) a liability for any existing asset retirement obligation adjusted for cumulative accretion to the date of adoption, (b) an asset retirement cost capitalized as an increase to the carrying amount of the associated long-lived asset, and (c) accumulated depreciation on that capitalized cost. In subsequent years, the asset retirement cost shall be allocated to expense using a systematic and rational method over its useful life.

6. Piedmont requests Commission approval to place all impacts to its income statement caused by the adoption of FIN 47 in a regulatory deferred account. Those impacts

would include a cumulative adjustment as of October 31, 2006 and ongoing expense recognition impacts.

7. Piedmont submits that its return should not be impacted, either positively or negatively, by the adoption of an accounting standard applicable to all industries in place of a revenue requirement and associated expense methodology that was adopted in Piedmont's last general rate case that has been carried forward in Piedmont's Rate Stabilization Act filings. The creation of the requested deferred accounts will not impact the total expense to be incurred by Piedmont with regard to its AROs or prompt a change in the current approved methodology for the recovery of those costs through Piedmont's approved depreciation rates.

8. The relief requested herein does not involve a change to Piedmont's rates, terms or conditions of service and is not in conflict with any Commission rule, regulation or policy.

9. Piedmont requests (1) that it be authorized to segregate all cost impacts of compliance with FIN 47 into a special deferred account; (2) that the Commission authorize regulatory asset treatment for such costs by approving the recovery thereof subject to a future determination that they have been properly accounted for; and (3) that any issues related to proper amortization or actual recovery of such costs be postponed until a subsequent proceeding before the Commission in which such amortization or recovery is sought.

10. Piedmont respectfully requests that the accounting order sought herein be made effective as of October 31, 2006 and thereafter.

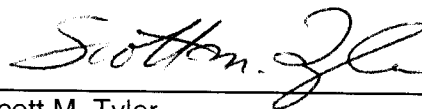
11. Piedmont notes that relief similar to that requested herein has been previously granted by this Commission to Carolina Power & Light Company, Duke Energy Corporation, and South Carolina Electric & Gas Corporation by Order No. 2003-283 issued on April 28, 2003 in Docket No. 2003-84-E.

WHEREFORE, Piedmont respectfully requests that the Commission issue an order for regulatory accounting purposes allowing Piedmont to place certain Asset Retirement Obligations costs in a regulatory deferred account, as described herein, on the basis that the

current regulatory treatment for these costs should not be altered due to Piedmont's adoption of FIN 47.

Respectfully submitted, this the 22nd day of September, 2006.

Piedmont Natural Gas Company, Inc.

A handwritten signature in cursive script, appearing to read "Scott M. Tyler", is written over a horizontal line.

Scott M. Tyler
James H. Jeffries IV

OF COUNSEL:

Moore & Van Allen PLLC
100 North Tryon Street, Suite 4700
Charlotte, NC 28202-4003
Telephone: 704-331-1079

STATE OF NORTH CAROLINA

VERIFICATION

COUNTY OF MECKLENBURG

David R. Carpenter, being duly sworn, deposes and says that he is Managing Director, Regulatory Affairs of Piedmont Natural Gas Company, Inc., that as such, he has read the foregoing Petition and knows the contents thereof; that the same are true of his own knowledge except as to those matters stated on information and belief and as to those he believes them to be true.



David R. Carpenter

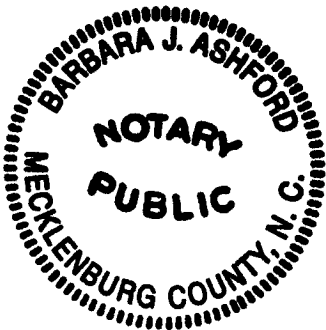
Mecklenburg County, North Carolina

Signed and sworn to before me this day by David R. Carpenter

Date: Sept. 20, 2006 Barbara J. Ashford
Barbara J. Ashford, Notary Public

(Official Seal)

My commission expires: Feb. 26, 2011



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